

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2252 - SB 2671

February 25, 2018

SUMMARY OF BILL: Exempts from state and local sales and use tax tangible personal property, computer software, or taxable services sold, given, or donated by a nonprofit property owners association (NPOA) that received a determination of exemption from the Internal Revenue Service (IRS) under the Internal Revenue Code § 501(c)(4), and that meets the following criteria:

- Is responsible for the governance and maintenance of a residential community that contains at least five thousand (5,000) lots or units;
- Maintains private roads in its community or provides direct funding for certain maintenance of public roads in its community;
- Provides direct funding for certain fire or emergency services, or both, for the safety and protection of its property owner members; and
- Operates water or sewer utility services, or both, exclusively for the benefit of its property owner members.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$64,300

Decrease Local Revenue – Net Impact – \$26,200

Assumptions:

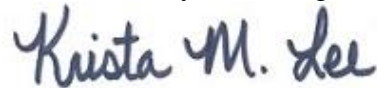
- This legislation will impact an unknown number of NPOAs.
- It is assumed that the number of housing units impacted by this legislation totals approximately 10,000 units.
- On average, annual expenditures per home by an NPOA of \$100.
- Total annual expenditures of \$1,000,000 (10,000 x \$100).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$67,468 $[(\$1,000,000 \times 7\%) - (\$1,000,000 \times 7\% \times 3.617\%)]$.
- A recurring decrease in local revenue of \$27,532 $[(\$1,000,000 \times 2.5\%) + (\$1,000,000 \times 7\% \times 3.617\%)]$.

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- Fifty percent of tax savings, or \$47,500 $[(\$67,468 + \$27,532) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$3,205 $[(\$47,500 \times 7\%) - (\$47,500 \times 7\% \times 3.617\%)]$.
- The recurring increase in local sales tax collections is estimated to be \$1,308 $[(\$47,500 \times 2.5\%) + (\$47,500 \times 7\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$64,263 $(\$67,468 - \$3,205)$.
- The net recurring decrease in local revenue as a result of this legislation is estimated to be \$26,224 $(\$27,532 - \$1,308)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb